DRAFT AMENDMENT – VERSION 3

INCENTIVES

This draft amendment to the Town Code proposes the establishment of tourism zones with incentives. This draft amendments proposes to maintain the existing historic district partial tax exemption incentive, but would relocate the authorizing ordinance for that under Chapter 75 so it can be more easily found in the Town Code. Together, the incentives of the tourism zone, historic district and technology zone will create an incentive package for the Town.

START

TOWN OF FRONT ROYAL MUNICIPAL CODE, CH. 75, FINANCE AND TAXATION

75-74 TOURISM ZONE INCENTIVES

A. PURPOSE. The purpose for creating tourism zones is to encourage certain types of business growth in the Town that will attract visitors to the Town, increase tax revenue, and enhance the general welfare of Town citizens. Virginia Code §58.1-3851 grants the Town with the legal authority to establish tourism zones and grant tax incentives and regulatory flexibility therein.

B. ESTABLISHMENT OF TOURISM ZONES.

1. Downtown Business Tourism (DBT) Zone Created. There is hereby established the “Downtown Business Tourism Zone,” consisting of all the area designated as such on the map entitled “Town of Front Royal Tourism Zone,” dated ______________, attached hereto and incorporated herein. The intent of the Downtown Business Tourism Zone is to achieve the overall purpose of Section 75-74.A. by encouraging business growth and housing that enhances the unique character and assets of the downtown area.

2. Entrance Corridor Tourism (ECT) Zone Created. There is hereby established the “Entrance Corridor Tourism Zone,” consisting of all the area designated as such on the map entitled “Town of Front Royal Tourism Zone,” dated ______________, attached hereto and incorporated herein. The intent of the Entrance Corridor Tourism Zone is to achieve the overall purpose of Section 75-74.A. by encouraging business growth that enhances the unique character and assets of the entrance corridor area.

3. Community Business Tourism (CBT) Zone Created. There is hereby established the “Community Business Tourism Zone,” consisting of all the area designated as such on the map entitled “Town of Front Royal Tourism Zone,” dated ______________, attached hereto and incorporated herein. The intent of the Community Business Tourism Zone is to achieve the overall purpose of Section 75-74.A. by encouraging general business growth in the Town of Front Royal that supports tourism.
C. ELIGIBILITY REQUIREMENTS.

1. ELIGIBLE USES BY TOURISM ZONE. The following land uses, as categorized within by each tourism zone, are eligible to receive the tourism zone incentives of Section 75-74.D., subject to compliance with all other code requirements of the Town Code.

<table>
<thead>
<tr>
<th>SPECIFIC TOURISM ZONE</th>
<th>ELIGIBLE TYPE OF LAND USES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown Business Tourism (DBT)</td>
<td>Retail, Dining, Lodging, Entertainment*, Culture &amp; Arts, Personal Services &amp; Offices, Condominiums**</td>
</tr>
<tr>
<td>Entrance Corridor Tourism (ECT)</td>
<td>Retail, Dining, Lodging, Entertainment*, Culture &amp; Arts</td>
</tr>
<tr>
<td>Community Business Tourism (CBT)</td>
<td>Retail, Dining, Lodging, Entertainment*, Personal Services &amp; Offices</td>
</tr>
</tbody>
</table>

*Including both outdoor and indoor uses, but excluding adult entertainment uses.
** Excluding such uses that are located on the ground level.

2. INVESTMENT CRITERIA. Eligible land uses, as specified under Section 75-74.C.1, shown above, are eligible to receive the tourism zone incentives of Section 75-74.D., shown below, only if all of the following criteria is met.

a. A minimum new capital investment of $25,000.
b. A minimum creation of one new (1) job.
c. Conformance with the Town’s Comprehensive Plan.
d. Compliance with the Town Code.
D. INCENTIVES.

1. BPOL Tax Incentive. BPOL Tax may be reduced for eligible land uses that meet the investment criteria, as specified under 75-74.C.2.

   a. Eligible land uses shall be categorized into one of the following three (3) tier groups, depending on the amount of capital investment and quantity of jobs created.

   **TABLE 75-74.D.1.a.**

<table>
<thead>
<tr>
<th>Tier Group</th>
<th>Capital Investment</th>
<th>Jobs Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>$10,000 - $99,999</td>
<td>1-3</td>
</tr>
<tr>
<td>Tier 2</td>
<td>$100,000 - $499,999</td>
<td>4-10</td>
</tr>
<tr>
<td>Tier 3</td>
<td>$500,000 or more</td>
<td>11 or more</td>
</tr>
</tbody>
</table>

   b. The following table illustrates the duration that eligible land uses may receive BPOL tax reduction, based on the tier group they qualify for.

   **TABLE 75-74.D.1.b.**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Tier 2</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Tier 3</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
</tr>
</tbody>
</table>

   Note: X = not eligible; ✓ = Eligible.

   c. Eligible land uses may receive up to 100% BPOL tax reduction for the number of specified years they qualify for under Table 75-74.D.1.b.

   d. BPOL tax reduction is based on the estimated increase in BPOL tax, as calculated from estimated increased revenue after the proposed investment. BPOL tax reduction shall not apply to existing BPOL tax prior to the specific investment.

2. Permit Fee Incentive. All eligible land uses may receive up to 100% reduction in permit fees with the Town of Front Royal.

3. Tap Fee Incentive. Eligible commercial land uses may be allowed to make payment of required tap fees over a period of time that does not exceed ten (10) years, without interest or fees, subject to a lien on the property, or other guarantee, for the specified time period. Eligible residential land uses may be allowed to delay payment of required tap fees at a point of time agreeable to the Town of Front Royal, but before all dwelling units are occupied, subject to a lien on the property, or other guarantee, for the specific time period.
E. ADMINISTRATION & INTERPRETATION

1. The Town Manager, or designee, is authorized to administer tourism zones.

2. Interpretations of this section shall be determined by the Town Manager, after consultation with the Town Attorney.

3. All eligible businesses must submit an application for tourism zone incentives to the Town Manager’s Office.

4. The Town Manager, or designee, shall draft a performance agreement for applicants that qualify for incentives. The performance agreement shall be reviewed by the Town Attorney, Director of Finance, Director of Planning & Zoning, or other departments, authorities, committees, commissions or agencies, as determined appropriate by the Town Manager.

5. Performance agreements shall specify all incentives that are to be authorized and may include conditions of approval, such as, but not limited to, requirements that the applicant maintain certain hours of operation, site improvement requirements, or reduction of incentives from their maximum levels authorized by this section.

6. Incentives are not authorized until a performance agreement is approved by Town Council, and nothing herein shall be interpreted to require or obligate the Town to approving any incentives until a performance agreement is approved by Town Council.

7. Town Council may revoke, reduce, or suspend incentives after approval of the performance agreement if the conditions, or other terms, of the performance agreement are not complied with.

75-75 HISTORIC DISTRICT INCENTIVES FOR REHABILITATION.

[Transfer the contents of Section 175-97 to 75-75 and reference under 175-97]

175-97 REAL ESTATE TAX EXEMPTION FOR REHABILITATION (Historic District)

Refer to Chapter 75, Section 75.

A. A partial exemption of real estate taxes for a period of ten (10) years shall be provided for the substantial rehabilitation of any structure (fifty (50) years or older) within a designated historic resource overlay area or to a structure which is listed on the National Register of Historic Places. For the purposes herein, substantial rehabilitation shall involve an investment of at least forty percent (40%) of the pre-rehabilitated assessed value of the structure.

B. The partial exemption shall be equal to the increase in assessed value resulting from the rehabilitation. Rehabilitations cannot replace the original structure. Increases in total square footage may be permitted up to a maximum of fifty (50%) percent of the original structure.

C. The exemption shall commence on January 1 of the year following completion of the rehabilitation and shall run with the real estate for a period of ten (10) years. An increase in an assessment occurring after the first year of the exemption shall not result in an increase in the exemption.

D. No property shall be eligible for such exemption unless the appropriate certificate of appropriateness and building permits have been acquired and the Zoning Administrator and Commissioner of the Revenue have verified that the rehabilitation indicated on the application has been completed. Such rehabilitation shall be completed within two (2) years of issuance of the building permit for the work, except that the deadline for completion may be extended for up to two (2) additional years if the Zoning Administrator determines that reasonable progress has been made towards completion of the project.

END

Editorial Notes: Proposed new text is shown in highlight and italics. Proposed deleted text is shown in strikethrough font. Text shown in BLUE font is for information purposes only. Drafted 08/19/14 (JFC); Revised 9/5/14 (JFC); Revised 10/28/14 (JFC).